

SUBCOMMITTEE NO. 4

Agenda

Michael Machado, Chair
Tom Harman
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Agenda Part "A"

Monday, May 5, 2008
10:00 a.m.
Room 3191

Consultant: Brian Annis

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2720 California Highway Patrol

The mission of the California Highway Patrol (CHP) is to ensure the safe and efficient flow of traffic on the state's highway system. The CHP also has responsibilities relating to vehicle theft prevention, commercial vehicle inspections, the safe transportation of hazardous materials, and protection and security for State employees and property.

The January Governor's Budget proposed \$1.929 billion in total expenditures (no General Fund) and 11,195 positions for the CHP, an increase of \$49 million and 227 positions. The issues contained herein for the CHP are those left open at the March 24, Subcommittee hearing and April Finance Letters.

Issues Proposed for Vote Only:

- 1. Replacement Facilities (April Finance Letters (FL) #1 & #3, May 1, FLs #1 & #2).**
The April FLs request \$1.9 million in 2008-09, and \$4.8 million in 2009-10 (both from the Motor Vehicle Account) for two capital outlay projects for new area offices that would use the build-to-suit lease-purchase contracting method. The Administration requests the addition of new budget bill language that would establish a control agency approval process prior to the CHP entering a contract, and also would require 30-day reporting to the Joint Legislative Budget Committee prior to contract signing. In this case, the Department of General Services calculates that the lease-purchase method would be most cost efficient and will speed completion. The May FLs request \$2.5 million in 2008-09 for preliminary plans and working drawings for two state-owned projects previously approved in 2006-07, but delayed due to site acquisition problems.

Background / Detail: The four projects are as follows:

- **Tracy Area Office – Relocation (April FL #1):** No funding is requested for 2008-09 and \$2.2 million is requested for 2009-10 to relocate the Tracy office due to the current lease not being extended by the owner. Even though no budget augmentation is requested until 2009-10, the CHP requests approval now because they intend to enter into a contract in 2008-09. Of the 2009-10 costs, \$642,000 is one-time and \$1.5 million is ongoing. If the State chooses to exercise the purchase option upon project completion, the cost would be \$13.8 million.
- **Bakersfield Area Office – Relocation (April FL #3):** \$1.9 million is requested for 2008-09 and \$3.3 million is requested for 2009-10 to relocate the Bakersfield office due to the size and accessibility deficiencies of the current state-owned facility. The Administration indicates that upon occupancy in June 2012, the ongoing augmentation for the rent cost will be \$3.2 million, or the State will exercise the purchase option at a cost of \$33.2 million.

- **Oceanside Area Office – Relocation (May FL #1):** \$1.023 million is requested for preliminary plans. \$2.8 million was appropriated for site acquisition and preliminary plans in 2006-07; however, the site acquisition was delayed and the \$768,000 appropriated for preliminary plans reverted. The Administration has now increased the cost estimate for preliminary plans to \$1.023 million. Total costs through construction will be approximately \$17 million.
- **Oakhurst Area Office – Relocation (May FL #2):** \$1.441 million is requested for preliminary plans and working drawings. \$1.1 million was appropriated for site acquisition and preliminary plans in 2006-07; however, the site acquisition was delayed and the \$414,000 appropriated for preliminary plans reverted. The Administration has now increased the cost estimate for preliminary plans to \$568,000 and also requests \$873,000 for working drawings. Total costs through construction will be approximately \$9 million.

According to the 2008 California Infrastructure Plan, the CHP occupies 102 area offices, 25 communications centers, 8 division offices, and 39 other facilities including the Sacramento headquarters and the West Sacramento academy.

2. **Computer Aided Dispatch System – Cost Deferral (April Finance Letter # 5).** The Administration requests a reversion of \$6.7 million (Motor Vehicle Account) in funds appropriated in 2007 for the Computer Aided Dispatch System. This recognizes the expenditure deferrals that have occurred due to contracting delays for the project.
3. **New Inland Empire Traffic Management Center – Cost Savings (April Finance Letter # 4).** On March 24, the Subcommittee approved the Administration's request for an augmentation of \$1.9 million (\$265,000 ongoing) in Motor Vehicle Account funds for moving costs and higher lease costs at the new Inland Empire Traffic Management Center (IETMC). This April Finance Letter would reduce the amount of the augmentation by \$321,000 because a less costly alternative has been identified for rerouting of the radio microwave path. The Department of General Services identified available space within an existing vault and therefore a new vault is no longer required.

Staff Recommendation on Vote-Only Calendar: Approve the requests.

Vote:

Issues Proposed for Discussion / Vote:

- 4. Enhanced Radio System (Required Report).** The budget includes \$116.3 million for the 2008-09 cost of upgrading the CHP's public safety radio system. In 2006-07, the Legislature approved this five-year project that had total costs of about \$500 million. The project will enhance radio interoperability with other public safety agencies and provide additional radio channels for tactical and emergency operations. As part of last year's project approval, the Legislature required annual project reporting for the life of the project - due each March 1. When the Subcommittee met March 24, 2008, the report was outstanding, but it has since been received and reviewed by staff.

2008 CHP Radio Report: The 2008 report indicates that the project is still proceeding to achieve a 2010-11 completion as originally planned when the project was approved two years ago. Last year's report indicated that the cost of the remote infrastructure such as towers, was more than anticipated and the Administration proposed to down-scope the project to reduce the amount of new equipment needed on the towers. The original cost estimate was \$494 million, and last year's estimate (with the down-scoped project) was \$480 million. This year's report indicates costs totaling \$472 million. While the project has not been re-scoped since last year, the following cost changes are indicated:

- Mobile Equipment: total costs decrease from \$161 million to \$158 million.
- Portable Equipment: total costs decrease from \$44 million to \$19 million.
- Infrastructure – Remote Equipment: total costs increase from \$205 million to \$242 million (including tower-related capital outlay).
- Services and Miscellaneous: total costs decrease from \$71 million to \$61 million.

Staff Comment: In addition to the cost changes indicated above, more of the costs are shifted to out-years. The report indicates 2007-08 and 2008-09 cost deferrals relative to the amounts included in the Governor's Budget, such that \$3.7 million would be unexpended in 2007-08 and \$12.8 million would be unexpended in 2008-09.

Staff Recommendation: Decrease the 2007-08 and 2008-09 budgets by a total of \$16.5 million to reflect the expenditure savings indicated in the CHP report.

Vote:

- 5. Officer Staffing Augmentation (BCP #1 & Finance Letter #5).** The Governor requests \$21.5 million (\$22.4 million ongoing) to add 70 uniformed positions, 11 uniformed management positions, and 33 non-uniformed support positions in 2008-09 (an additional 50 uniformed positions would be added in 2009-10 for a total increase of 120 Patrol Officers). Over the last two years, the Legislature has approved a staffing increase of 471 positions (360 Officers, 32 uniformed managerial, and 79 non-uniformed support staff). The CHP indicates that this year's budget request would help address the continual increase in workload associated with population growth throughout the state. It is important to note, the Governor's Budget includes \$40 million in one-time savings from about 300 vacant officer positions in 2008-09 including those requested in this BCP. April Finance Letter #5 indicates that the BCP overestimated associated benefit costs by \$634,000 and requests to reduce the funding by that same amount.

Detail / Background: This issue was discussed at the March 24 hearing and held open so the CHP could provide additional detail. To better outline the multiple components of this request, the BCP is split below into four components:

- CHP Officers (70 requested for 2008-09 and 50 requested for 2009-10): As discussed at the prior hearing, the CHP does not anticipate any of the 70 requested positions will be filled in 2008-09 due to base vacancies. After the \$40 million vacancy budget reduction, there is no funding included for these positions in 2008-09. However, the CHP argues that rejecting the 120 new positions would slow the hiring pipeline in 2008-09 because cadets entering the August 2009 class would normally receive hiring commitments starting November 2008, and cadets entering the December 2009 class would receive hiring commitments starting March 2009.
- Direct Managerial and Support (11 uniformed positions and one non-uniformed position are requested for 2008-09): The CHP indicates that these positions are directly related to newly requested officer staffing. One new Lieutenant position is requested (2.0 positions were added in 2006-07); ten new Sergeant positions are requested (30.0 positions were added in 2006-07); and one Accounting Technician is requested (1.0 position was added in 2006-07).
- Base Deficiencies (24 positions are requested for 2008-09): The CHP indicates that 24 new positions are not related to new officers but are related to base staffing deficiencies at the CHP. 15 Office Technicians/Office Assistants are requested (35.0 positions were added over 2006-07 and 2007-08); eight Automotive Techs are requested (11 were added over 2006-07 and 2007-08); and one Associate Business Management Analyst is requested (1 position was added in 2007-08).
- Information Technology Shift from Contractors to State Staff (8 new positions are requested for 2008-09): The CHP requests a shift of \$731,000 from operating expenses to personnel services to reduce contracting and hire additional state information technology staff. The CHP indicates that this request is partially related to a State Personnel Board decision that found more activities should be performed by state staff.

LAO Recommendation: In the *Analysis of the 2008-09 Budget Bill*, the Legislative Analyst recommends that the Legislature reject this proposal because by CHP's own admission, they will be unable to fill all the existing Officer vacancies and grow staff to the level requested in this BCP. Additionally, the managerial and support positions requested to support the new officers would not be needed if the new Officers are not hired in 2008-09. Due to the existing \$40 million one-time budget adjustment for vacancies that offsets most of the \$21.5 million BCP cost, the LAO indicates only a \$4 million reduction to the Governor's Budget would be necessary if this BCP is rejected.

Staff Comment: The analysis of this BCP has been complicated because the CHP combined staffing requests for disparate purposes in a single BCP instead of submitting each request separately with individual justification and detail.

- For CHP Officers, staff notes that while 70 positions are requested in 2008-09 and 50 positions are requested to 2009-10; in reality, the CHP hiring plans suggest no new positions are needed for 2008-09 and 120 new positions are needed for 2009-10. This is already a two-year request, so the Subcommittee may want to change the timing of the staff from [70 in 2008-09 / 50 in 2009-10] to [zero in 2008-09 / 120 in 2009-10].
- For Direct Managerial and Support, these positions would seem reasonably delayed to 2009-10 given high vacancies in base staffing and the managerial and support positions added in 2006-07.
- For Base Deficiencies, 56 positions were added over 2006-07 and 2007-08 to partially address base deficiencies. Given the general Subcommittee direction not to augment departments this year for base administrative deficiencies, it is unclear why the CHP cannot defer augmentation to another year, again, given the 56 positions recently added to partially address these issues.
- For IT Staffing Shift, the Subcommittee has approved similar requests this year for Caltrans, which also faced State Personnel Board (SPB) orders to shift from contractors to state staff. However, it should be noted that Caltrans reflected OE&E savings where state staff were less expensive than contractors. Staff believes the CHP shift should also result in net savings, and that savings should be reflected in the budget. Of the eight positions requested, five directly involve a shift from contractors to state staff. According to the CHP, the contracts have a cost of \$590,000 and the new associated State staff would have a cost of \$444,000. The Subcommittee may want to reduce the proposed budget by \$146,000 to reflect this savings.

Staff Recommendation:

- Approve no CHP Officer positions for 2008-09, but approve 120 new Officer positions for 2009-10. Add Supplemental Report Language (SRL) on CHP vacancies and the updated Officer hiring plan due next March 1, so the 2009-10 budget can be further adjusted as warranted based on the number of academy graduations.
- Reject the new staff and related funding requested for Direct Managerial and Support / Base Deficiencies.
- Approve 8.0 new positions to shift IT workload from contractors to state staff, but reduce funding by \$144,000 to reflect the savings from this shift.
- Approve the Finance #5 technical correction to the budget savings for vacant CHP Officers.

Vote:

- 6. Fuel Costs (Staff Issue).** In 2006-07, the Legislature approved a \$2.7 million ongoing budget augmentation to the CHP's budget for fuel purchases. That augmentation brought CHP funding to a level consistent with fuel prices averaging \$2.56 per gallon. Gasoline prices are now significantly higher and the CHP will have to redirect funding from other areas to cover the cost. If gasoline averages about \$3.30 per gallon in 2008-09, the CHP will have to redirect about \$8 million, and if gasoline averages about \$4.00 per gallon, the CHP will have to redirect about \$16 million.

Staff Comment: Given the large unbudgeted cost increase for gasoline, the CHP should indicate how they propose to cover this cost. The Subcommittee may want to revisit funding for gasoline purchases after the May Revision when new Department of Finance forecasts of gasoline prices are available.

Staff Recommendation: Take no action at this hearing, but revisit after the May Revision as warranted.